



# **Sino Agro Food**

## **Interim Report Third Quarter 2018**

- Revenue of USD 38.8M
- Positive EPS growth to USD 0.09 quarter-on-quarter

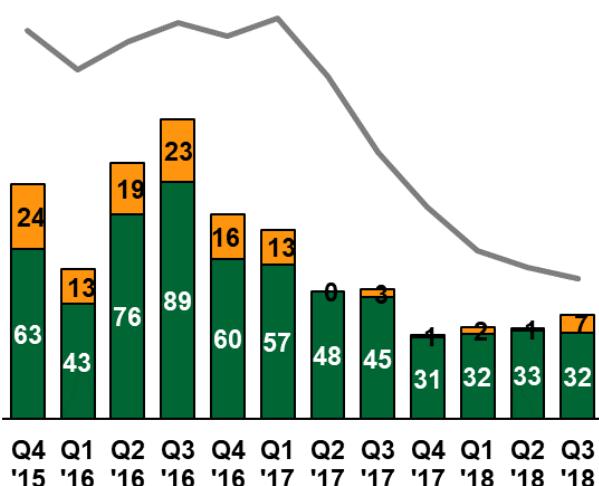
### July – September 2018

- Revenue for the period: USD 38.8M (48.4)
- Gross profit for the period: USD 6.2M (6.5)
- Net Income attributable to SIAF for the period: USD 3.5M (3.5)
- Diluted earnings per share: USD 0.09 (0.15)

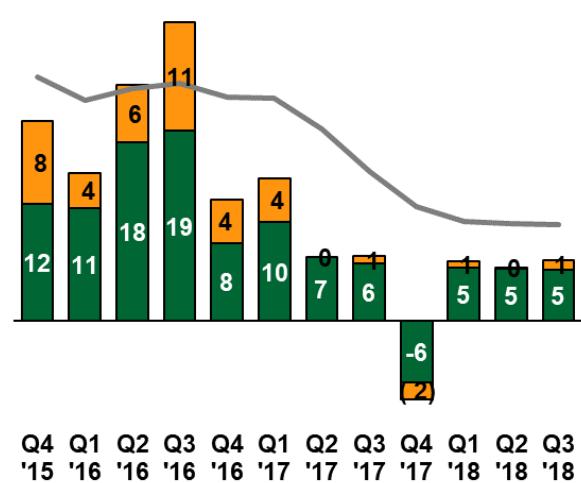
### Key figures

(USD M, except per share data)	Q3 '18	Q3 '17	%
Revenue	38,8	48,4	-20%
Gross profit	6,2	6,5	-5%
<i>Gross profit margin</i>	16,0%	13,5%	
Net income	3,7	4,3	-15%
Net income attributable to SIAF	3,5	3,5	0%
Earnings per share (USD) - fully diluted	0,09	0,15	-40%
Book value per share (USD) - fully diluted	17,0	16,7	2%
Diluted weighted average number of shares (millions)	36,7	26,3	40%

**Revenue (USD M)**



**Gross profit (USD M)**



## Third quarter 2018 highlights

### Financials

Revenue from the sale of goods decreased USD 9.6M, or 20%, to USD 38.8M for the quarter ended September 30, 2018 when compared on a year over year basis ("YoY"). This decrease is primarily due to the discontinued operations of QZH. When compared to Q2 2018 ("QoQ"), revenue from the sale of goods during Q2 2018 increased USD 4.8M or 14%. Revenue from project development was USD 6.5M, compared to 1.1M during Q3 2017, an increase of 490%.

Third quarter gross profits totaled USD 6.2M for Q3 compared to USD 6.5M during Q3 2017 and USD 5.4M during Q2 2018, an increase of 15% QoQ.

Fully diluted earnings per share were USD 0.09 in the third quarter, compared to USD 0.14 in Q3 2017 and 0.02 in Q2 2018.

### Overview

Results continued a reprioritization of businesses according to bottom line performance and guided by stricter cost control and capital expense rationale for each. In aggregate, all business segments maintained the 16% gross profit margin from the previous quarter, while increasing net income USD 2.57M, or 285%, to USD 3.47M versus the previous quarter. This was mainly due to higher revenue, lower non-operating expenses, and higher income from SIAF's equity investee.

These efforts have resulted in each standalone business stabilizing or improving. Integrated Cattle (SJAP) is being deemphasized in the near term due to adverse market conditions; however, it is self-sustaining, showing a small net operating profit in Q3. Seafood and Meat Trading has had consistent revenue with consistent gross margins over many quarters. Organic Fertilizer (HSA) and the Cattle Farms (MEIJI) segments both are exhibiting generally growing trends expected to continue as past capital investments are beginning to generate returns and/or strategic partnerships are adding revenue without new capital investment. The same is true of the Plantation segment, although it must recover from some damage suffered in Typhoon Mangkhut.

During the third quarter, because the benefits of business reprioritization had not yet overcome obligations incurred before the reprioritization, equity shares were issued to cover some current and non-current other payables that typically would have been covered through normal cash-flow levels in the past.

The Company has adopted austere measures to reduce its dependence on equity funding, and has made substantial strides in that direction. The Company expects the benefits of its reprioritization to more fully materialize in the current quarter.

## Key Points

- SIAF's income from its full 36.6% equity investment in Tri-Way ("TW") increased USD 0.4M, or 29%, to USD 1.8M in Q3 2018 on a YoY basis. QoQ, the income growth was USD 0.2M, or 12%
- Capital expenditure is being restricted to shorter-term, positive profile returns for all businesses to improve cash flow, resulting in all segments booking positive gross profits
- As of September 30 2018 the Company had a net working capital of USD 173.1M, an increase of USD 4.8M YoY
- Stockholders' equity increased YoY by USD 10.1M to USD 622.5M

<b>Revenue (USD M)</b>	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>%</b>	<b>9M '18</b>	<b>9M '17</b>
Integrated Cattle Farm (SJAP)	3,5	19,4	-82%	15,1	61,7
Organic Fertilizer (HSA)	2,4	1,7	43%	7,3	5,4
Cattle Farms (MEIJI)	8,0	7,3	10%	19,1	23,1
Plantation	1,0	1,5	-34%	3,1	3,6
Seafood & Meat Trading	17,3	15,6	11%	51,9	56,8
<b>Sale of goods total</b>	<b>32,2</b>	<b>45,4</b>	<b>-29%</b>	<b>96,4</b>	<b>150,6</b>
Aquaculture	6,5	3,0	118%	10,0	16,2
Cattle Farms	-	-	<i>n.a.</i>	-	-
Seafood & Meat Trading	-	-	<i>n.a.</i>	-	-
<b>Project development total</b>	<b>6,5</b>	<b>3,0</b>	<b>118%</b>	<b>10,0</b>	<b>16,2</b>
<b>Group total</b>	<b>38,8</b>	<b>48,4</b>	<b>-20%</b>	<b>106,5</b>	<b>166,7</b>

## CEO commentary

“This was a positive quarter for the Company as we saw a continuation of the trends reported in Q2 2018 in the form of a sequential increase in revenues and stable gross margins. This is the direct result of our restructuring strategy implemented in 2017 that involved divesting some businesses that had become unprofitable, streamlining others, and implementing strict cost controls across several areas of the business. The current operations are leaner and more efficient which, as seen this quarter, is positively impacting our bottom line, with net income increasing 285% to USD 3.47M, compared with the second quarter of 2018. These positive trends are expected to continue as we leverage this platform to continue to steadily grow the business.

“We are pleased to see increased activity at Tri-Way, our investment associate, which generated slightly higher income to SIAF on both a year over year and sequential basis. Tri-Way’s activities also generated revenues to Capital Award, our provider of engineering technology, consulting and services, as we supported its development projects, including the construction and retrofit work on its indoor A Power Module farms and about 20 acres of open dam recirculating system farms.

“As previously discussed, we have downsized our Integrated Cattle farm (SJAP) as we adapt to increased market competition, especially from foreign imports. This strategy is working and we are pleased to report an operational profit for the third quarter, in line with our expectations. We partially compensated for the fall in cattle sales by ramping up fertilizer sales. We will continue to monitor this business and seek ways in which we can adapt and grow with changing market dynamics. One longer-term strategy is to establish a trading center for the cattle and beef industry.

“We are particularly pleased with our progress at HSA selling organic fertilizer, which benefited from two fully operational production plants. We also successfully leased out its cattle buildings and related facilities to a third party to provide additional income and maintain control over costs. Likewise, we reported strength from Cattle Farms (MEIJI). As in prior quarters, we saw strength from our seafood and meat trading business, which is well positioned to leverage trends in the market as a result of our transition toward higher quality, and higher margin, products. This remains a core part of our business and we will continue to focus on expanding sales.

“To conclude, although sales are not as high as they were a year ago, we are pleased with the trend toward improved profitability and more sustainable margins. These results validate our strategies to “right size” businesses in the near term while reducing legacy debt until expansion or new initiatives are funded. In the meantime, we are encouraged that positive operational trends will continue to drive improved financials, and grow the value of SIAF, which we believe is deeply undervalued. We are confident in our long term prospects and, therefore, plan to issue a dividend before year-end.”

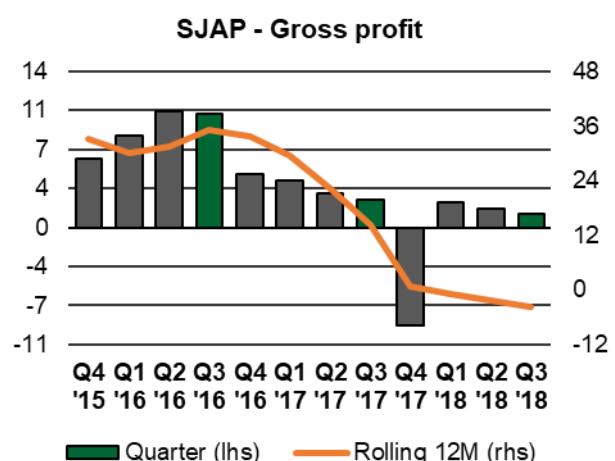
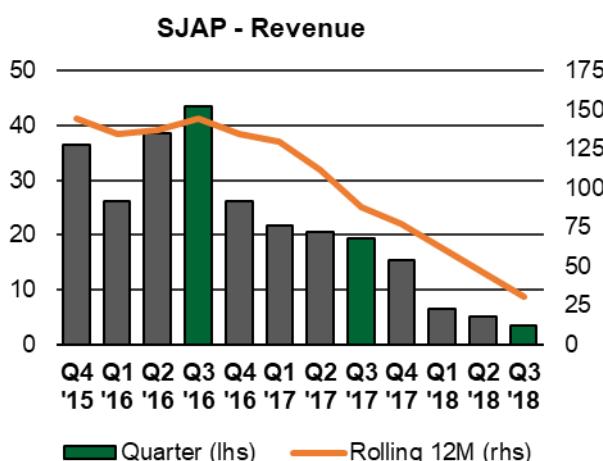
<b>Gross profit (USD M)</b>	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>%</b>	<b>9M '18</b>	<b>9M '17</b>
Integrated Cattle Farm (SJAP)	1,2	2,4	-51%	5,1	9,7
Organic Fertilizer (HSA)	0,9	0,4	95%	2,5	1,6
Cattle Farms (MEIJI)	1,4	1,0	41%	2,4	3,5
Plantation	0,2	0,2	-28%	0,5	1,2
Seafood & Meat Trading	1,6	1,7	-8%	5,4	6,3
<b>Sale of goods total</b>	<b>5,2</b>	<b>5,8</b>	<b>-11%</b>	<b>15,8</b>	<b>22,3</b>
Aquaculture	1,0	0,7	39%	1,9	5,2
Cattle Farms	-	-	n.a.	-	0,0
Seafood & Meat Trading	-	-	n.a.	-	0,0
<b>Project development total</b>	<b>1,0</b>	<b>0,7</b>	<b>39%</b>	<b>1,9</b>	<b>5,2</b>
<b>Group total</b>	<b>6,2</b>	<b>6,5</b>	<b>-5%</b>	<b>17,7</b>	<b>27,5</b>

## Integrated Cattle Farm (SJAP)

The Integrated Cattle Farm business segment (SJAP) discontinued its value-added processing subsidiary (QZH) December 30, 2017. In addition, the SJAP is downsizing its business until such time as market conditions rebound. It has longer term plans to revitalize and develop the HuangYuen City Center into a Trade Center for the cattle and beef industry, capitalizing on its current and proposed commercially zoned land bank used by local farmers who contribute to the region's sale of four million head of cattle annually.

Factoring out QZH, SJAP revenue decreased by USD 2.8 M, or 44% from USD 6.3M in Q3 2017 to USD 3.5M in Q3 2018. The smaller operations maintained gross margins of about 33%

Overall, despite continued depressed market conditions, and reflecting stricter cost controls, SJAP demonstrated financial self-sufficiency, recording a net operating profit of USD 0.4M in its standalone financial report, only 0.17M less than Q3, 2017.



## Cattle Operation

Sales volume per product (SJAP live beef cattle)	Q3 '18	Q3 '17	9M '18	9M '17
<b>Beef cattle (#)</b>	<b>610</b>	<b>853</b>	<b>2 297</b>	<b>2 954</b>
- o/w sold externally as live cattle	610	853	2 297	2 954
- o/w sold internally for valued added processing	0	0	0	0
ASP per head (USD)	2 476	2 331	6 707	2 436
<i>Gross profit margin</i>	19%	5%	18%	8%

## Fertilizer and feed

SJAP fertilizer and animal feed	Q3 '18	Q3 '17	9M '18	9M '17
<b>Organic fertilizer (MT)</b>	<b>2 019</b>	<b>3 420</b>	<b>13 109</b>	<b>9 775</b>
ASP / MT (USD)	190	181	143	182
<i>Gross profit margin</i>	33%	33%	23%	36%
<b>Bulk livestock feed (MT)</b>	<b>1 228</b>	<b>5 627</b>	<b>7 671</b>	<b>19 619</b>
ASP / MT (USD)	180	167	181	176
<i>Gross profit margin</i>	54%	54%	54%	55%
<b>Concentrated livestock feed (MT)</b>	<b>4 626</b>	<b>6 330</b>	<b>15 846</b>	<b>21 350</b>
ASP / MT (USD)	447	437	425	434
<i>Gross profit margin</i>	45%	43%	44%	44%
<b>Total feed volume (MT)</b>	<b>5 854</b>	<b>11 957</b>	<b>28 955</b>	<b>31 125</b>

The live cattle market remaining depressed negatively impacted sales of livestock feed. SJAP increased fertilizer sales by incentivizing district farmers to plant new crops, overcoming the loss of traditional sales to local cooperative cattle raisers.

Fertilizer, and bulk and concentrated livestock feed contributed USD 0.9M or 75% of Q3 gross profit.

(USD M)	Q3 '18	Q3 '17	%	9M '18	9M '17	%
Live cattle	1,5	2,0	-24%	5,1	7,2	-30%
Bulk livestock feed	0,2	1,0	-79%	1,4	3,5	-60%
Concentrated livestock feed	1,6	2,7	-42%	6,7	9,3	-27%
Fertilizer	0,3	0,6	-57%	1,9	1,8	6%
<b>Revenue</b>	<b>3,5</b>	<b>6,3</b>	<b>-44%</b>	<b>15,1</b>	<b>21,7</b>	<b>-31%</b>
Live cattle	0,3	0,1	224%	0,9	0,6	50%
Bulk livestock feed	0,1	0,5	-79%	0,7	1,9	-61%
Concentrated livestock feed	0,7	1,2	-41%	3,0	4,1	-27%
Fertilizer	0,1	0,2	-55%	0,4	0,6	-27%
<b>Gross profit</b>	<b>1,2</b>	<b>2,0</b>	<b>-40%</b>	<b>5,1</b>	<b>7,2</b>	<b>-29%</b>
Live cattle	19,3%	4,5%		18,0%	8,5%	
Bulk livestock feed	54,0%	54,0%		54,0%	54,9%	
Concentrated livestock feed	44,5%	43,4%		44,3%	43,9%	
Fertilizer	33,5%	32,3%		23,5%	33,9%	
<b>Gross profit margin</b>	<b>33,5%</b>	<b>31,7%</b>		<b>33,8%</b>	<b>33,1%</b>	

## Organic Fertilizer (HSA)

(USD M)	Q3 '18	Q3 '17	%	9M '18	9M '17	%
Organic fertilizer	0,8	0,9	-14%	2,7	2,8	0%
Organic mixed fertilizer	1,6	0,7	115%	4,5	2,6	71%
<b>Revenue</b>	<b>2,4</b>	<b>1,7</b>	<b>43%</b>	<b>7,3</b>	<b>5,4</b>	<b>35%</b>
Organic fertilizer	0,0	0,1	-75%	0,4	0,5	-25%
Organic mixed fertilizer	0,8	0,3	163%	2,1	1,1	84%
<b>Gross profit</b>	<b>0,9</b>	<b>0,4</b>	<b>95%</b>	<b>2,5</b>	<b>1,6</b>	<b>51%</b>
Organic fertilizer	4,0%	13,5%		13,3%	17,6%	
Organic mixed fertilizer	52,0%	42,6%		46,6%	43,2%	
<b>Gross profit margin</b>	<b>36,0%</b>	<b>26,4%</b>		<b>34,0%</b>	<b>30,2%</b>	

Revenue at HSA increased by USD 0.7M, or 43% from USD 1.7 M in Q3 2017 to USD 2.4M in Q2 2018. Gross profits increased by USD 0.42M or 95% from USD 0.44M in Q3 2017 to USD 0.86M in Q3 2018.

HSA's production had been capacity constrained due to the retrofitting of a production plant. The second production plant started operation, producing 3,690 tons of mixed organic fertilizer and sales of USD1.6M in Q2 2018 versus 0 in the comparable 2017 period. Mixed organic fertilizer accounted for 81% of HSA's gross profit.

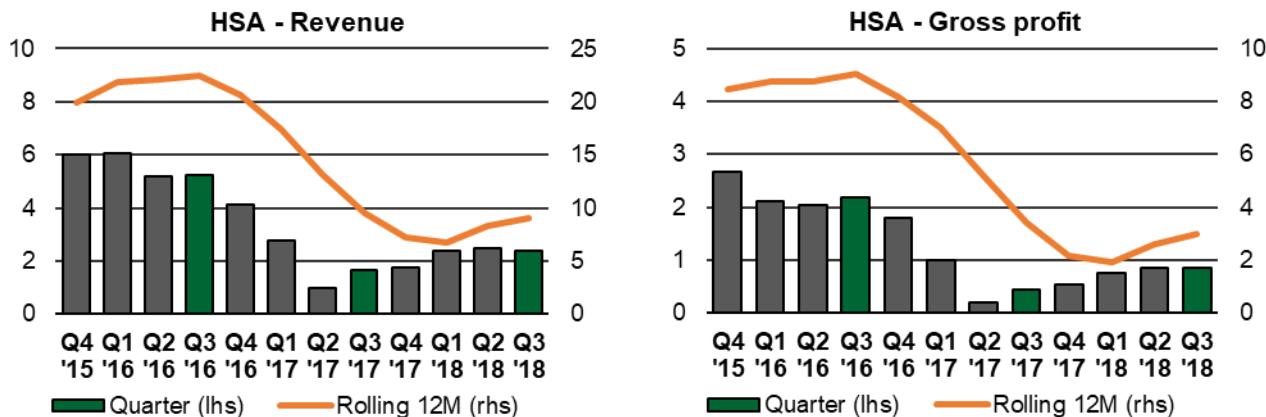
Fertilizer sales returned to normal levels after completion of the retrofit.

Cattle operations at HSA have been delayed due to the Company's restriction on capital expenditures, as well as limited progress made by the local government with its industrial development plan.

HSA will maintain its direction to keep its capital expenditure as low as possible and to lease out some of its assets that are currently unproductive until such time it will build up enough cash flow position to afford further capital expenditure. During this quarter HSA leased out its Cattle buildings and related facilities to a third party for a period of one year at USD 300,000/year. There are cost savings (i.e. cost of maintenance and general administration etc.) aiding the bottom line.

Subsequent to the end of the third quarter, in October, 2018 HSA also leased out 10 acres of land situated at the front entrance of its property for annual rental of USD 80,000 for 24 months.

HSA fertilizer	Q3 '18	Q3 '17	9M '18	9M '17
<b>Organic fertilizer (MT)</b>	<b>3 457</b>	<b>6 082</b>	<b>11 336</b>	<b>13 552</b>
ASP / MT (USD)	236	153	243	200
<i>Gross profit margin</i>	19%	14%	18%	17%
<b>Organic mixed fertilizer (MT)</b>	<b>3 985</b>	<b>1 796</b>	<b>10 775</b>	<b>6 476</b>
ASP / MT (USD)	400	412	419	408
<i>- Gross profit margin</i>	43%	42%	43%	43%
<b>Total fertilizer volume (MT)</b>	<b>7 442</b>	<b>7 878</b>	<b>22 111</b>	<b>20 028</b>



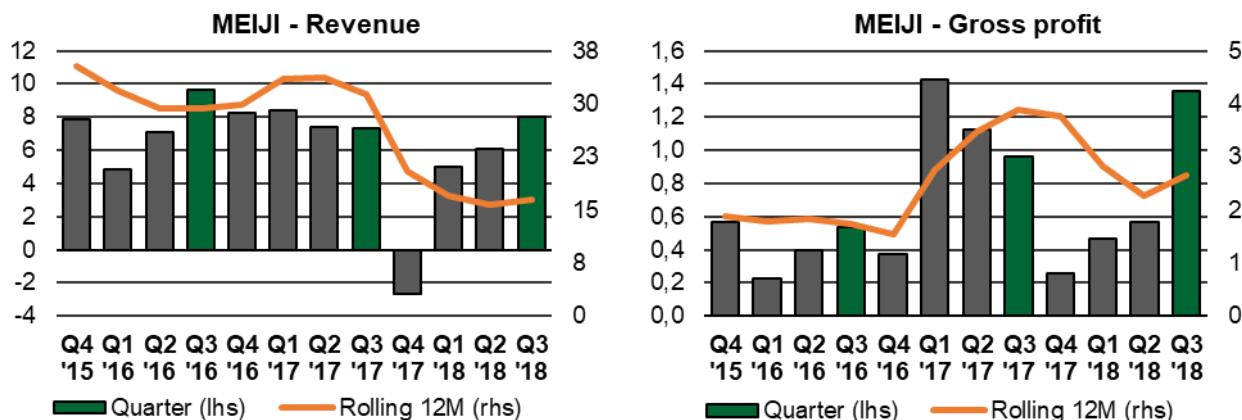
## Cattle Farms (MEIJI)

(USD M)	Q3 '18	Q3 '17	%	9M '18	9M '17	%
Sale of live cattle	8,0	7,3	10%	19,1	23,1	-17%
<b>Revenue</b>	<b>8,0</b>	<b>7,3</b>	<b>10%</b>	<b>19,1</b>	<b>23,1</b>	<b>-17%</b>
Sale of live cattle	1,35	0,96	41%	2,4	3,5	-32%
<b>Gross profit</b>	<b>1,35</b>	<b>0,96</b>	<b>41%</b>	<b>2,4</b>	<b>3,5</b>	<b>-32%</b>
Sale of live cattle	16,9%	13,2%		12,5%	15,2%	
<b>Gross profit margin</b>	<b>16,9%</b>	<b>13,2%</b>		<b>12,5%</b>	<b>15,2%</b>	

Revenue for Q3 2018 totaled USD 8.0M, a YoY increase of USD 0.75M, The QoQ increase was 1.9M or 31%, representing a strong trend. Gross profit in Q3 2018 was USD 1.3M, a 40% increase YoY and a 125% increase QoQ.

MEIJI revenue and profit in the quarter would have been greater, but were restrained by 357 head of cattle being quarantined, delaying their sale until Q4.

Sales volume per product (MEIJI)	Q3 '18	Q3 '17	9M '18	9M '17
Head of beef cattle (#)	3 778	4 731	7 164	13 244
ASP per head (USD)	2 125	1 539	2 666	1 744
- Gross profit margin	16,8%	13,2%	12,5%	15,2%



## HU Plantation (JHST)

(USD M)	Q3 '18	Q3 '17	%	9M '18	9M '17	%
Fresh HU-flowers	-	0,0	-100%	-	0,0	-100%
Dried HU-flowers	0,1	0,6	-83%	0,2	0,9	-75%
Immortal vegetables	-	-	n.a.	0,1	-	n.a.
Vegetable products	0,9	0,8	5%	2,8	2,6	7%
<b>Revenue</b>	<b>1,0</b>	<b>1,5</b>	<b>-34%</b>	<b>3,1</b>	<b>3,6</b>	<b>-14%</b>
Fresh HU-flowers	-	0,0	-100%	-	0,0	-100%
Dried HU-flowers	0,0	0,0	-44%	0,0	0,0	-51%
Immortal vegetables	-	-	n.a.	0,0	-	n.a.
Vegetable products	0,2	0,2	-25%	0,5	1,2	-60%
<b>Gross profit</b>	<b>0,2</b>	<b>0,2</b>	<b>-28%</b>	<b>0,5</b>	<b>1,2</b>	<b>-58%</b>
Fresh HU-flowers	n.a.	8,8%		n.a.	10,6%	
Dried HU-flowers	12,1%	3,7%		9,2%	4,8%	
Immortal vegetables	n.a.	n.a.		25,6%	n.a.	
Vegetable products	18,1%	25,4%		17,1%	45,6%	
<b>Gross profit margin</b>	<b>17,4%</b>	<b>16,0%</b>		<b>16,6%</b>	<b>34,5%</b>	

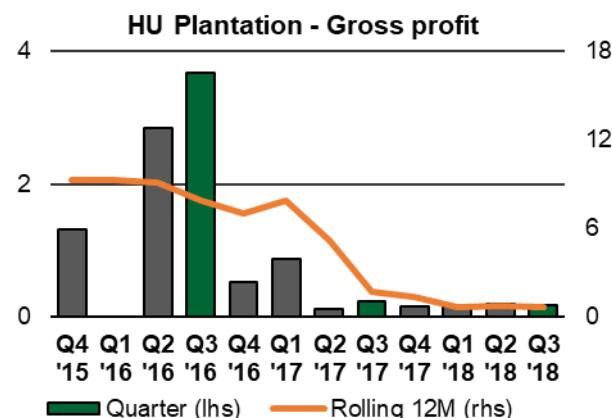
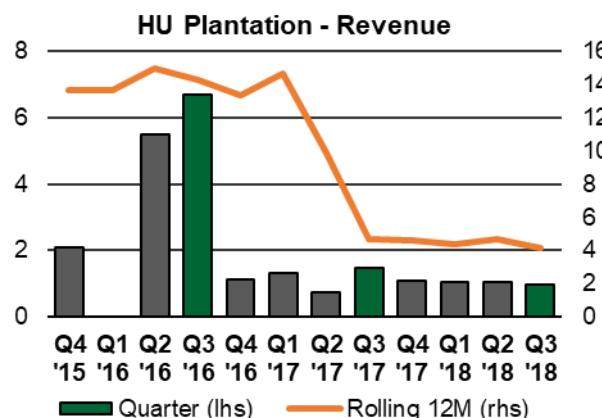
Revenue at JHST decreased by USD 0.5M, or 33% from USD 1.5M in Q3, 2017 to USD 1.0M in Q3 2018, which was about the same as Q2 2018. The decrease was primarily due to poorer quality flowers and consequent lower market prices, resulting from root disease caused by excessive rain in past years. Gross profits totaled USD 0.17M, also about the same as the previous quarter.

The experimental crop of Passion Fruits harvested during the quarter had good reception with reasonable and stable prices averaging over RMB20 / kg (or approximately US\$3 / kg). These results are encouraging; we are working on improving the yield per acre targeting to start commercial production in spring 2019 with about 100 acres.

At the same time we have successfully attracted the interest of a health-products purveyor to market our Immortal vegetable plants (IVP) under their brand label via their e-commerce platform with shipments covering all corners of China. In this respect, we are redesigning and repackaging our IVPs with the aim to have this sales program launched with commercial harvests beginning from spring 2019.

There were good crops of passion fruit ready and targeted for harvest in Q4 2018, but unfortunately Typhoon Mangkut damaged all 25 acres of passion fruit. Flooding spoiled part of the cash vegetable crops (about 100 acres) which will impact income in Q4 2018.

The storm also damaged staff quarters, necessitating repair. The storm also damaged the fruit trees planted on approximately 150 acres that will not affect JHST's 2018/2019 revenues and income, but will take some time before recovery.



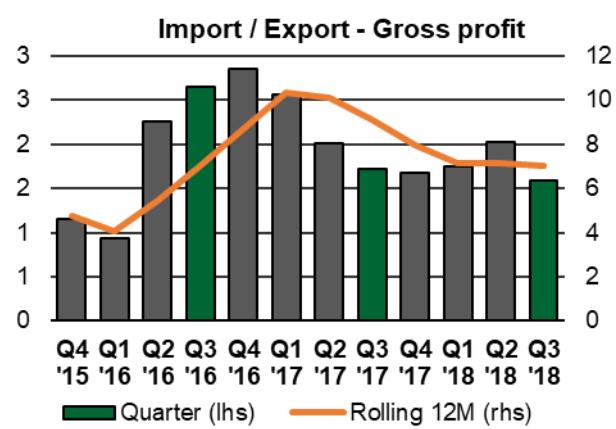
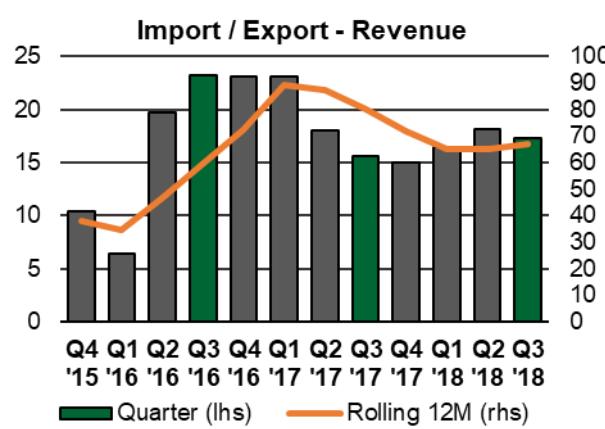
## SIAF Corporate (Import / Export)

(USD M)	Q3 '18	Q3 '17	%	9M '18	9M '17	%
Seafood	9,3	7,5	24%	27,6	22,4	23%
Beef & mutton	8,0	8,1	-1%	24,3	34,4	-29%
<b>Revenue</b>	<b>17,3</b>	<b>15,6</b>	<b>11%</b>	<b>51,9</b>	<b>56,8</b>	<b>-9%</b>
Seafood	1,1	0,8	35%	3,1	2,5	24%
Beef & mutton	0,5	0,9	-46%	2,3	3,8	-40%
<b>Gross profit</b>	<b>1,6</b>	<b>1,7</b>	<b>-8%</b>	<b>5,4</b>	<b>6,3</b>	<b>-15%</b>
Seafood	11,8%	10,9%		11,1%	11,0%	
Beef & mutton	6,1%	11,1%		9,5%	11,1%	
<b>Gross profit margin</b>	<b>9,2%</b>	<b>11,0%</b>		<b>10,3%</b>	<b>11,1%</b>	

Revenue from Seafood and Meat trading increased USD 1.7M, or 24% from USD 15.6M in Q3 2017 to USD 17.3M in Q3 2018. Gross profits decreased by USD .13M, or 8% from USD 1.72M in Q3 2017 to USD 1.59M in Q2 2018.

These results are primarily due to the Company's decision to trade selective products to maintain certain margins developed with select clients. The Company is confident that this strategy provides a solid basis for growth from its consistent performance.

Traded volume per product (SIAF)	Q3 '18	Q3 '17	9M '18	9M '17
<b>Mixed seafood (MT)</b>	<b>524</b>	<b>400</b>	<b>1 551</b>	<b>1 066</b>
ASP / kg (USD)	18	19	18	21
<i>Gross profit margin</i>	12%	11%	11%	11%
<b>Beef &amp; lamb (MT)</b>	<b>460</b>	<b>417</b>	<b>1 233</b>	<b>2 549</b>
ASP / kg (USD)	17	20	20	13
<i>Gross profit margin</i>	6%	11%	9%	11%
<b>Total volume traded</b>	<b>984</b>	<b>817</b>	<b>2 784</b>	<b>3 615</b>

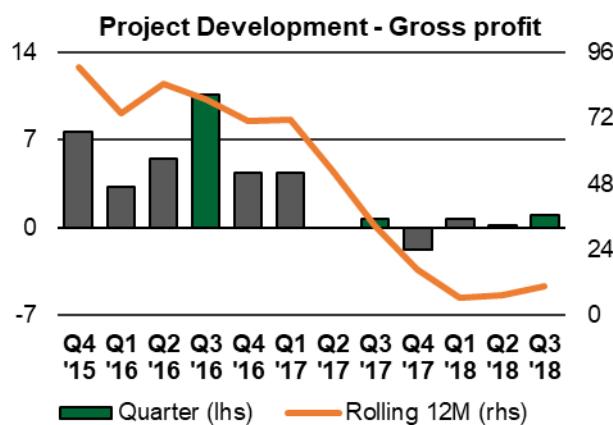
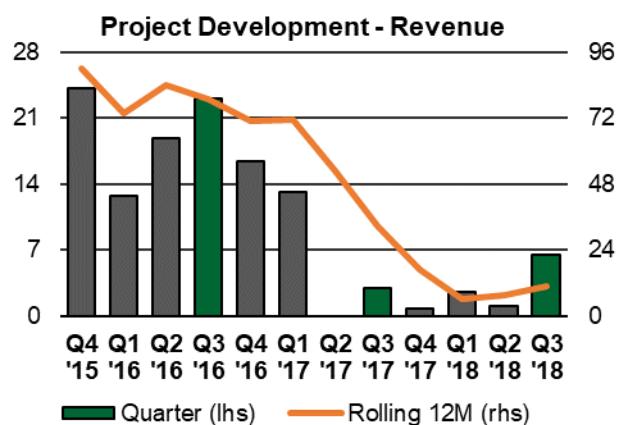


## Aquaculture Project Development

(USD M)	Q3 '18	Q3 '17	%	9M '18	9M '17	%
Revenue	6,5	3,0	118%	3,5	13,2	-73%
Gross profit	1,0	0,7	39%	0,9	4,4	-80%
Gross profit margin	15,9%	25,0%		24,6%	33,4%	

Revenue from project development totaled by USD 6.5M, an increase of 118% from the comparable year earlier period, after curtailing most all work in Q2 2018. Gross profit of USD 1.0M increased USD .3M, or 39% YoY.

The increase stemmed from SIAF's investee, Tri-Way Industries Ltd. undertaking several projects, to finish construction and retrofit work on its indoor A Power Module farms and about 20 acres of open dam recirculating system farms.



## Key figures

USD M (except for share data)	Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
<b><u>Earnings</u></b>						
Revenue	38,8	48,4	-20%	106,5	166,7	-36%
Gross profit	6,2	6,5	-5%	17,7	27,5	-36%
EBITDA	5,2	6,1	-14%	16,5	18,2	-9%
Net income attributable to SIAF	3,5	3,5	0%	12,6	12,5	1%
<b><u>Share data</u></b>						
Earnings per share (USD) – basic	0,09	0,14	-36%	0,0	0,4	-100%
Earnings per share (USD) – fully diluted	0,09	0,15	-40%	0,0	0,4	-100%
Weighted average number of shares (million)	36,7	24,2	51%	0,0	23,4	-100%
Diluted weighted average number of shares (millions)	36,7	26,3	40%	0,0	25,6	-100%
<b><u>Cash flow</u></b>						
Net cash provided by operating activities	6,3	11,5	-45%	11,6	27	-58%
Net cash used in investing activities	-2,5	-5,9	-58%	-6,9	-21,6	-68%
Net cash provided by (used in) financing activities	0,0	-2,4	-100%	0,0	-3,4	-100%
<b><u>Financial position*</u></b>						
Total assets	783,4	816,3	-4%			
Total liabilities	78,2	74,2	5%			
Total stockholder's equity	705,2	742,1	-5%			
Net debt	10,7	26,1	-59%			
Capital employed	716,0	768,2	-7%			
<b><u>Ratios</u></b>						
<i>Gross margin (%)</i>	16,0%	13,5%		16,6%	16,5%	
<i>EBITDA margin (%)</i>	13,5%	12,5%		15,5%	10,9%	
<i>Return on capital employed (%)</i>	2,3%	2,6%		2,5%	3,3%	
<i>Total equity ratio (%)</i>	90,0%	90,9%				

\*Closing balance for relevant period

## Consolidated income statement

(USD M)	Q3 2018	Q3 2017	9M 2018	9M 2017
Sale of goods	32,2	45,4	96,4	150,6
Consulting and service income from development contracts	6,5	3,0	10,0	16,2
<b>Total revenue</b>	<b>38,8</b>	<b>48,4</b>	<b>106,5</b>	<b>166,7</b>
Sale of goods	-27,1	-39,6	-80,6	-128,2
Consulting and service income from development contracts	-5,5	-2,2	-8,1	-11,0
<b>Cost of goods sold and services</b>	<b>-32,6</b>	<b>-41,8</b>	<b>-88,8</b>	<b>-139,2</b>
Sale of goods	5,2	5,8	15,8	22,3
Consulting and service income from development contracts	1,0	0,7	1,9	5,2
<b>Total gross profit</b>	<b>6,2</b>	<b>6,5</b>	<b>17,7</b>	<b>27,5</b>
General and administrative expenses	-4,0	-3,3	-11,8	-15,1
<b>Net income from operations</b>	<b>2,2</b>	<b>3,3</b>	<b>5,9</b>	<b>12,4</b>
Government grant	0,0	-	0,2	0,5
Other income	0,1	0,0	0,1	0,0
Non-operating expenses	-	-	-	-
Interest expense	-0,4	-0,3	-1,3	-1,6
<b>Net income (expenses) before income taxes</b>	<b>1,9</b>	<b>3,0</b>	<b>4,9</b>	<b>11,3</b>
Share of income from unconsolidated equity investee	1,8	1,4	7,2	5,5
<b>Net income</b>	<b>3,7</b>	<b>4,3</b>	<b>12,1</b>	<b>16,7</b>
Net loss from disposal of variable interest entity - QZH	-	-	-	-
Less: Net (income) loss attributable to the NCI	-0,2	-0,9	0,5	-4,2
<b>Net income attributable to SIAF</b>	<b>3,5</b>	<b>3,5</b>	<b>12,6</b>	<b>12,5</b>
Foreign currency translation gain (loss)	-13,7	0,6	-12,3	8,6
Less: other comprehensive income attributable to the NCI	2,8	-1,0	-8,4	-2,0
<b>Comprehensive income attributable to SIAF</b>	<b>-7,4</b>	<b>3,0</b>	<b>-8,1</b>	<b>19,1</b>
<b>Earnings per share attributable to SIAF:</b>				
<b>from continuing and discontinued operations:</b>				
Basic (USD per share)	0,09	0,14	-	0,39
Diluted (USD per share)	0,09	0,15	-	0,38
<b>Weighted average number of shares outstanding:</b>				
Basic (in million shares)	36,7	24,2	-	23,4
Diluted (in million shares)	36,7	26,3	0,0	25,6

## Consolidated balance sheet

	30-sep 2018	30-jun 2018
<b>(USD M)</b>		
Cash and cash equivalents	0,4	0,6
Inventories	56,4	52,9
Costs and estimated earnings in excess of billings on uncompleted contracts	0,3	0,3
Deposits and prepayments	56,6	63,9
Accounts receivable net of allowance for doubtful accounts	94,9	89,0
Other receivables	26,2	26,0
<b>Total current assets</b>	<b>234,8</b>	<b>232,8</b>
Plant and equipment net of accumulated depreciation	233,4	243,4
Construction in progress	13,6	11,4
Land use rights net of accumulated amortization	54,2	56,4
<b>Total plant and equipment</b>	<b>301,1</b>	<b>311,3</b>
Goodwill	0,7	0,7
Investment in unconsolidated equity investee	202,8	201,3
Proprietary technologies net of accumulated amortization	9,1	9,3
Temporary deposits paid to entities for investments in SFJV companies	34,9	34,9
<b>Total other assets</b>	<b>247,5</b>	<b>246,2</b>
<b>TOTAL ASSETS</b>	<b>783,4</b>	<b>790,3</b>
Accounts payable and accrued expenses	8,5	6,2
Billings in excess of costs and estimated earnings on uncompleted contracts	5,4	5,6
Due to a director	0,0	0,0
Other payables	38,4	40,8
Borrowings - Short term bank debts	4,5	4,7
Negotiable promissory note	1,0	1,0
Derivative Liability	0,0	0,0
Convertible note payable	3,9	3,9
<b>Current liabilities</b>	<b>61,7</b>	<b>62,2</b>
Other payables	10,8	10,9
Borrowings - Long term debts	5,7	5,9
<b>Non-current liabilities</b>	<b>16,5</b>	<b>16,8</b>
<b>TOTAL LIABILITIES</b>	<b>78,2</b>	<b>79,0</b>
Additional paid - in capital	180,8	176,7
Retained earnings	450,9	447,5
Accumulated other comprehensive income	-8,0	2,9
Treasury stock	-1,3	-1,3
<b>Total SIAF stockholders' equity</b>	<b>622,5</b>	<b>625,9</b>
Non - controlling interest	82,7	85,3
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>705,2</b>	<b>711,2</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>783,4</b>	<b>790,3</b>

## Consolidated statement of cash flows

(USD M)	Q3 2018	Q3 2017	9M 2018	9M 2017
Net income for the period	3,7	4,3	8,9	16,7
<b>Adjustments to reconcile net income from operations to net cash from operations:</b>				
Share of income from unconsolidated equity investee	-1,8	-1,4	-7,1	-5,5
Depreciation	2,6	2,5	7,9	7,0
Amortization	0,5	0,7	1,6	2,0
Inventory written off	-0,1	-	3,1	-
Common stock issued for services	0,5	0,1	1,9	4,1
Other amortized cost	-	0,7	-	2,1
<b>Cash flow from operating activities before change in wc</b>	<b>5,4</b>	<b>7,0</b>	<b>16,2</b>	<b>26,4</b>
Change in inventories	-3,4	-5,0	-6,9	-17,8
Change in costs and estimated earnings in excess of billings on uncompleted contracts	-	-	-	-0,5
Change in deposits and prepaid expenses	7,2	2,1	11,2	-2,4
Change in due to a director	-	0,6	-0,1	-1,2
Change in accounts payable and accrued expenses	2,4	-2,0	5,5	3,8
Change in other payables	0,9	6,4	5,1	10,1
Change in accounts receivable	-5,8	0,4	-11,9	17,8
Change in tax payable	-	-	-	-
Change in billings in excess of	-0,4	-	-0,4	-
Costs and estimated earnings on uncompleted contracts	0,1	-0,0	-	3,0
Change in amount due from unconsolidated equity investee	-	-	-2,6	-
Change in other receivables	-0,2	1,9	-5,6	-11,7
<b>Change in working capital</b>	<b>0,9</b>	<b>4,5</b>	<b>-4,6</b>	<b>1,1</b>
<b>Cash flow from operating activities</b>	<b>6,3</b>	<b>11,5</b>	<b>11,6</b>	<b>27,5</b>
Purchases of property and equipment	-	-5,2	-0,0	-14,6
Investment in unconsolidated equity investee	-	-	-0,1	-
Payment for construction in progress	-2,5	-0,8	-6,8	-7,1
<b>Net cash used in investing activities</b>	<b>-2,5</b>	<b>-5,9</b>	<b>-6,9</b>	<b>-21,6</b>
Repayment of long term debts	-	1,5	-	-
Capital contribution from non-controlling interest	-	-	-	0,4
<b>Net cash (used in) provided by financing activities</b>	<b>0,0</b>	<b>-2,4</b>	<b>0,0</b>	<b>-3,4</b>
Effects on exchange rate changes on cash	-4,0	-4,9	-4,9	-3,2
<b>Increase in cash and cash equivalents</b>	<b>-0,2</b>	<b>-1,7</b>	<b>-0,1</b>	<b>-0,7</b>
Cash and cash equivalents, beginning of period	0,6	3,6	0,6	2,6
Cash and cash equivalents, end of period	0,4	1,9	0,4	1,9

## 5-year summary

USD million (except for share data)	2017	2016	2015	2014	2013
<b><u>Earnings</u></b>					
Revenue	198,2	342,9	429,1	404,3	261,4
Gross profit	19,6	83,9	111,2	129,3	101,5
EBITDA	10,4	102,6	97,3	119,6	98,3
Net income attributable to SIAF	-13,1	115,0	65,3	92,1	74,2
<b><u>Share data</u></b>					
Earnings per share (USD) – basic	-0,53	5,46	3,63	5,81	6,14
Earnings per share (USD) – fully diluted	-0,53	5,00	3,59	5,56	5,76
Weighted average number of shares (million)	24,7	21,0	18,0	15,8	12,1
Diluted weighted average number of shares (millions)	24,7	23,2	18,3	16,6	12,9
<b><u>Cash flow</u></b>					
Net cash provided by operating activities	21,5	2,6	44,6	22,0	84,2
Net cash used in investing activities	-32,7	-32,7	-32,7	-31,5	-93,3
Net cash provided by (used in) financing activities	9,5	12,9	9,5	9,9	0,9
<b><u>Financial position*</u></b>					
Total assets	774,9	816,3	639,5	532,7	367,5
Total liabilities	77,4	74,2	70,6	70,5	35,9
Total shareholders equity	697,6	742,1	568,9	462,2	331,6
Net debt (cash)	11,1	26,1	39,0	24,2	7,8
Capital employed	708,7	768,2	607,9	486,4	339,4
<b><u>Ratios</u></b>					
Gross margin (%)	9,9%	24,5%	25,9%	32,0%	38,8%
EBITDA margin (%)	5,2%	29,9%	22,7%	29,6%	37,6%
Return on capital employed (%)	-2,4%	13,5%	12,2%	23,7%	26,9%
Total equity ratio (%)	90,0%	90,9%	89,0%	86,8%	90,2%

\*Closing balance for relevant period

## Reconciliation of non-U.S. GAAP measures to U.S. GAAP

In this report we sometimes refer to non-U.S. GAAP measures that we and securities analysts use in measuring Sino Agro Food's performance. We believe that these measures assist investors and management in analyzing trends in the Company's business for the reasons given below. Investors should not consider these non-U.S. GAAP measures as substitutes, but rather as additions, to financial reporting measures prepared in accordance with U.S. GAAP. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies.

### Use of non-U.S. GAAP financial information

Sino Agro Food's ("SIAF") financial information includes information prepared in conformity with U.S. Generally Accepted Accounting Principles (US GAAP) as well as non-U.S. GAAP information. It is management's intent to provide non-U.S. GAAP financial information to enhance understanding of our consolidated financial information as prepared in accordance with U.S. GAAP. This non-U.S. GAAP information should be considered by the reader in addition to, but not instead of, the financial reporting measures prepared in accordance with U.S. GAAP. The non-U.S. GAAP financial information presented may be determined or calculated differently by other companies.

### Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA is a non-U.S. GAAP measurement. Management uses EBITDA because it believes that such measurements are widely accepted financial indicators used by investors and analysts to analyze and compare companies on the basis of operating performance and that these measurements may be used by investors to make informed investment decisions.

(USD M)	Q3 2018	Q3 2017	9M 2018	9M 2017
Net income from operations	2,2	3,3	5,9	12,4
Depreciation and Amortization	3,0	2,8	10,5	5,8
<b>EBITDA (Non-U.S. GAAP Measure)</b>	<b>5,2</b>	<b>6,1</b>	<b>16,5</b>	<b>18,2</b>

### Return on Capital Employed ("ROCE")

SIAF believes Return on Capital Employed (ROCE) is a good indicator of long-term company and management performance, both absolute and relative to SIAF's primary peer group. ROCE is a measure of the profitability of SIAF's capital employed in its business compared with that of its peers. SIAF calculates ROCE as a ratio, the numerator of which is Net income plus Interest expense, and the denominator of which is average Total stockholder's equity plus total interest bearing liabilities.

(USD M)	Q3 2018	Q3 2017	9M 2018	9M 2017
<b><u>Numerator</u></b>				
Net income	3,7	4,3	12,1	16,7
Interest Expense	0,4	0,3	1,3	1,6
<b>ROCE Earnings (Non-U.S. GAAP Measure)</b>	<b>4,1</b>	<b>4,7</b>	<b>13,4</b>	<b>18,3</b>
<b><u>Denominator</u></b>				
<b>Capital employed* (Non-U.S. GAAP Measure)</b>	<b>716</b>	<b>732</b>	<b>716</b>	<b>732</b>
<b>ROCE (Non-U.S. GAAP Measure)</b>	<b>2,3%</b>	<b>2,6%</b>	<b>2,5%</b>	<b>3,3%</b>

\*Closing balance of Total stockholder's equity and Net Debt

**Net Debt**

Management uses Net Debt, along with other factors, to evaluate SIAF's financial condition. Management believe that Net Debt is an appropriate supplemental measure of financial condition and may be useful to investors because it provides a more complete understanding of our financial condition before the impact of our decisions regarding the appropriate use of cash and liquid investments.

Net Debt include the aggregate interest bearing debt obligations in SIAF's consolidated balance sheet, less the balance sheet line item Cash and cash equivalents.

(USD M)	30-sep	30-jun	
	2018	2018	
Borrowings - Short term bank debts	4,5	4,7	
Negotiable promissory note	1,0	1,0	
Borrowings - Long term debts	5,7	5,9	
Convertible notes payables	0,0	0,0	
Cash and cash equivalents	-0,4	-0,6	
<b>Net Debt (Non-U.S. GAAP Measure)</b>	<b>10,7</b>	<b>10,9</b>	

## This is Sino Agro Food

SIAF is a specialized investment company focused on protein food. The Company produces, distributes, markets, and sells sustainable seafood and beef to the rapidly growing middle class in China. Activities also include production of organic fertilizer and produce. SIAF is a global leader in developing land based recirculating aquaculture systems ("RAS"), and with its partners is the world's largest producer of sustainable RAS prawns.

Founded in 2006 and headquartered in Guangzhou, the Company had over 550 employees and revenue of USD 343 million in 2016. Operations are located in Guangdong, Qinghai, and Hunan provinces, and in Shanghai. Sino Agro Food is a public company listed on OTCQX U.S. Premier in the United States and on the Oslo Børs' Merkur Market in Norway.

### **Integrated Cattle (SJAP)**

Integrated Cattle Farm refers to the operation of SJAP in manufacturing and sales of Organic Fertilizer, bulk livestock feed, concentrated livestock feed, and the sales of live cattle inclusive of:

- (b). Cattle that are not being slaughtered in our own slaughterhouse operated by Qinghai Zhong He Meat Products Co., Limited ("QZH"). These are sold live to third party livestock wholesalers.
- (a). Cattle that are sold to QZH and slaughtered, deboned and packed by QZH. The sales of deboned and packed meats by QZH are sold to various meat distributors, wholesalers and super market chains and our own retail butcher stores

### **Organic Fertilizer (HSA)**

Hunan Shenghua A Power Agriculture Co. Ltd. ("HSA") manufactures and sells organic fertilizer.

### **Cattle Farms (MEIJI)**

Cattle Farm refers to the operations of Cattle Farm (1) under Jiangmen City Hang Mei Cattle Farm Development Co. Ltd ("JHMC"). Cattle are sold live to third party livestock wholesalers who in turn resell them mainly in Guangzhou and Beijing livestock wholesale markets. The financial statements of JHMC are consolidated into MEIJI as one entity along with MEIJI's operation in the consulting and service for development of other Cattle Farms (i.e., Cattle Farm 2) or related projects.

### **HU Plantation (JHST)**

Plantation refers to the operations of Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd. ("JHST") The HU Plantation business grows, harvests and sells dragon fruit flowers (dried and fresh) and immortal vegetables to wholesale and retail markets. JHST's financial statements are consolidated into the financial statements of Macau EIJI Company Ltd. ("MEIJI") as one entity.

### **SIAF Corporate / Seafood & Meat Trading**

SIAF Corporate / Seafood & Meat Trading refers to the business operations of Sino Agro Food, Inc., including import / export business and consulting and service operations provided to projects that are not included in the above categories, and are not limited to corporate affairs.

### **Aquaculture Project Development**

Aquaculture Project Development refers to the operations of Capital Award Inc. (CA) covering its engineering, technology and consulting service management of fishery operations. CA sells Engineering and Technology Services via Consulting and Service Contracts for the development, construction, and supply of plant and equipment, and management of fishery (and prawn or shrimp) farms and related business operations, including the Zhongshan New Prawn Project ("ZSNP").

## **Definitions and SEC filings**

Please refer to our Form 10-K for definitions of terms used in this report. Filings with the SEC of Sino Agro Food's annual report to stockholders, annual report on Form 10-K, quarterly reports on Form 10-Q, proxy statements, management certifications, press releases, current reports on Form 8-K and other documents are available at the SEC's website [www.sec.gov](http://www.sec.gov) and at Sino Agro Food's corporate website.

## **Accounting policies**

Sino Agro Food prepares its financial statements in accordance with the Generally Accepted Accounting Principles (US-GAAP) as adopted by the Financial Accounting Standards Board.

## **Safe Harbor Statement**

This report contains statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that address activities, events or developments that Sino Agro Food, Inc. or its management believes or anticipates may occur in the future. All forward-looking statements, including without limitation, management's examination of historical operating trends and data, as well as estimates of future sales, operating margin, cash flow, effective tax rate or other future operating performance or financial results, are based upon our current expectations, various assumptions and data available from third parties. Our expectations and assumptions are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors which may cause actual future results, performance or achievements to differ materially from the future results, performance or achievements expressed in or implied by such forward-looking statements. Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in global light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier; changes in general industry and market conditions; changes in and the successful execution of our capacity alignment, restructuring and cost reduction initiatives discussed herein and the market reaction thereto; loss of business from increased competition; higher raw material, fuel and energy costs; changes in consumer and customer preferences for end products; customer losses; changes in regulatory conditions; customer bankruptcies or divestiture of customer brands; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; component shortages; market acceptance of our new products; costs or difficulties related to the integration of any new or acquired businesses and technologies; continued uncertainty in pricing negotiations with customers, our ability to be awarded new business; product liability, warranty and recall claims and other litigation and customer reactions thereto; higher expenses for our pension and other postretirement benefits; work stoppages or other labor issues; possible adverse results of pending or future litigation or infringement claims; negative impacts of antitrust investigations or other governmental investigations and associated litigation (including securities litigation) relating to the conduct of our business; tax assessments by governmental authorities and changes in our effective tax rate; dependence on key personnel; legislative or regulatory changes limiting our business; political conditions; dependence on and relationships with customers and suppliers; and other risks and uncertainties identified under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Reports and Quarterly Reports on Forms 10-K and 10-Q and any amendments thereto. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events. For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to update any such statement.

## Additional information

### Financial information

Additional financial information and notes to the financial statements is available in the Company's 10-K report, available on the Company's website.

### Press and analyst conference

Sino Agro will host a conference call on December 7<sup>th</sup> 2018 at 16:00 CET. The conference call can be accessed via our home page [www.sinoagrofood.com](http://www.sinoagrofood.com). The annual and quarterly reports are also published on [sinoagrofood.com](http://sinoagrofood.com).

### The Company

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